

Q3 2020 in Poland

Property Investment Market Report

Keeping the pace.

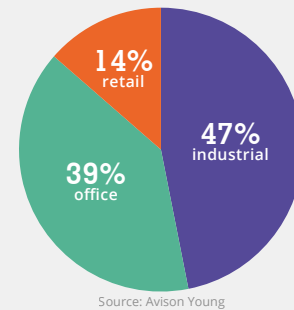


Introduction

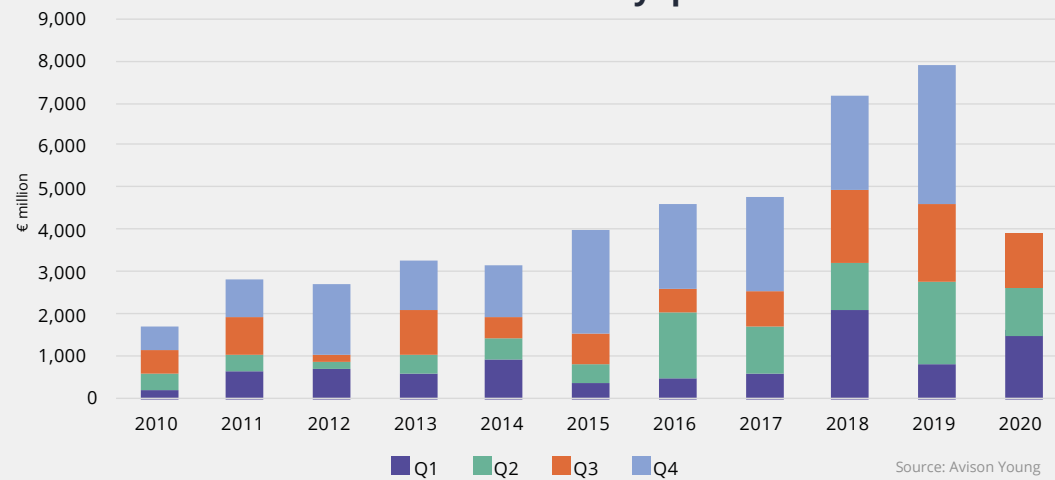
Third quarter of 2020 ended with EUR 3.9 billion transacted since the beginning of the year. The result is slightly lower than in the years 2018 and 2019, however it is worth noting that despite the investors' "wait and see" strategy at the beginning of COVID-19 pandemic, the outcome is still impressive. As many investors are returning to transactions which were put aside, multiple deals should be closed within the last quarter of the year. It has always been a period of intense activity on the market.

€ 3.9 bn
Total volume
Q1-Q3 2020

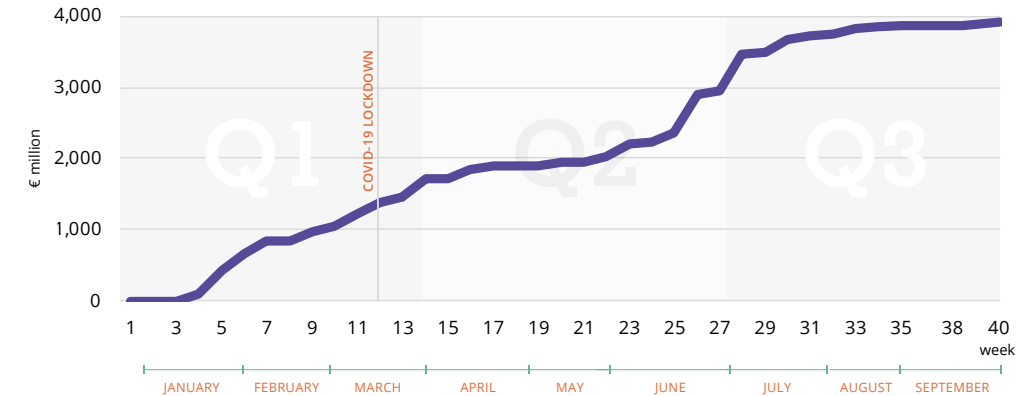
**Investment volume
Share by sector**
Q1-Q3 2020



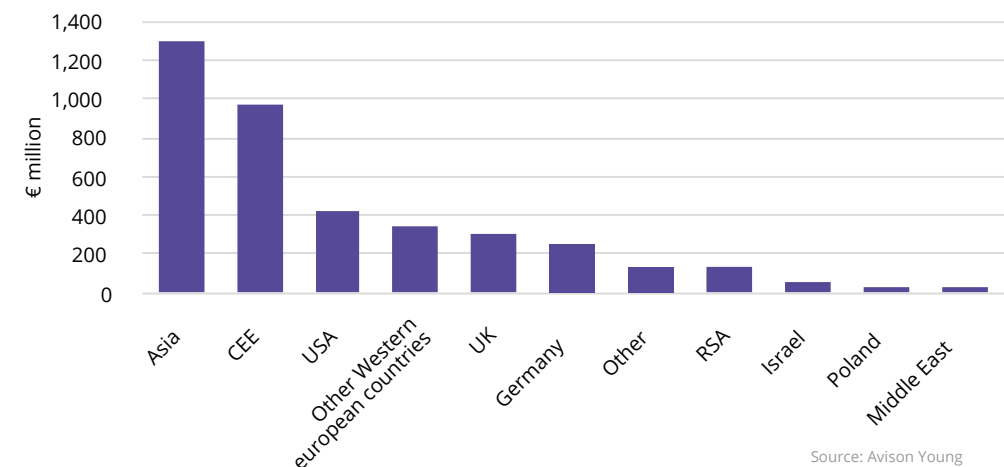
Investment volume by quarter



2020 weekly investment volume (cumulative)



**Investors activity by origin
Q1-Q3 2020**



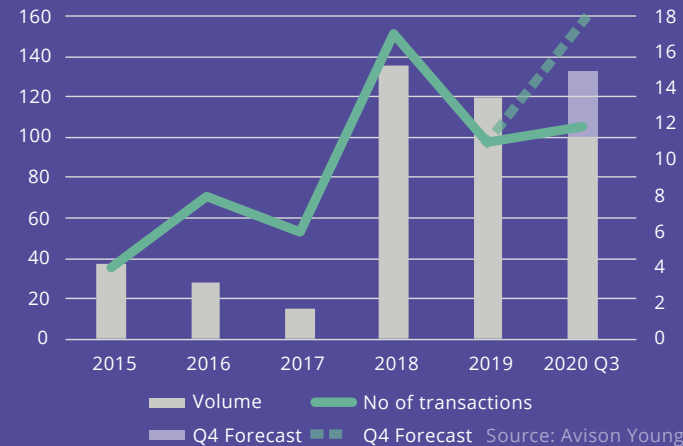
Convenience retail proves its resilience

Third quarter saw continuation of investors' activity in retail sector with strong focus on convenience schemes. The volume of retail transactions increased three times in comparison to the second quarter (excluding acquisition of majority stake in GTC in Q2 2020, which also included two shopping centers). 5 out of 8 retail transactions concluded in Q3 2020 regarded convenience retail. The largest transaction since the start of the pandemic was the sale of 5 assets

("Tyrion Portfolio") by Atrium European Real Estate to Metropal Group. In the disposal the seller was represented by Avison Young. There were also several retail parks transacted as well as standalone retail schemes and retail properties with redevelopment potential. With many preliminary agreements signed for acquisition of such assets, we expect this sector to remain strong during the coming months.

€ 0.5 bn
Retail investment volume
Q1-Q3 2020

Convenience retail investment volume and number of transactions since 2015



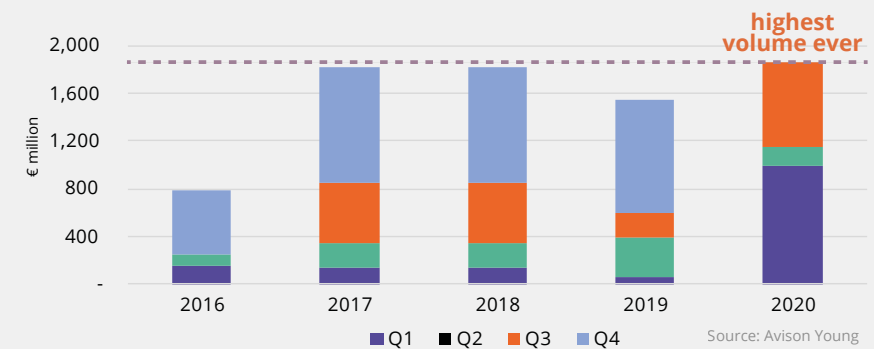
Industrial keeps the momentum

Once again it was the industrial sector which attracted investors' interest the most. The volume of EUR 1.9 billion realized in three quarters of this year already outperformed total industrial volume from year 2019 (EUR 1.5 billion). The disposal of Goodman portfolio to GLP was finalized in the third quarter, which confirms a significant interest of investors in takeovers of whole companies and platform acquisitions, already observed in previous quarters.

What has been noticed in the last few months was acceleration of e-commerce development caused by COVID-19 pandemic. This trend is also reflected in the increase of investments in the city logistics schemes. LaSalle IM purchase of two such schemes, developed by Panattoni in Warsaw, is one of the examples of the recently closed transactions of this type.

€ 1.9 bn
Industrial investment volume
Q1-Q3 2020

Industrial investment volume



Office market: slight slowdown but to rebound

The volume of EUR 230 million in the third quarter of 2020 was lower than in the previous quarters of this year, and the total volume in this sector after 9 months amounted to EUR 1.6 billion. There are still a few large transactions ongoing and some of them will be probably successfully closed still in 2020. Part of them might be postponed to the next year. As a result, it will be difficult to reach office investment volume comparable to the last year's.

Four out of five transactions were done in Warsaw, which confirms investors' interest in stable, core markets. The disposal of Chmielna 89 to Madison or Generation Park Z purchase by DEKA prove continued investors' activity in the western part of Warsaw City Center and is an indicator for further transactions in this district.

€ 1.6 bn
Office investment volume
Q1-Q3 2020

What's next?

Although investment volume in the last three quarters is slightly lower than in the same period last year, it has to be noted that investors' approach has changed in some way during this time. Despite lower volume, Polish market remains flexible, which is shown by the second highest number of transactions after three quarters.

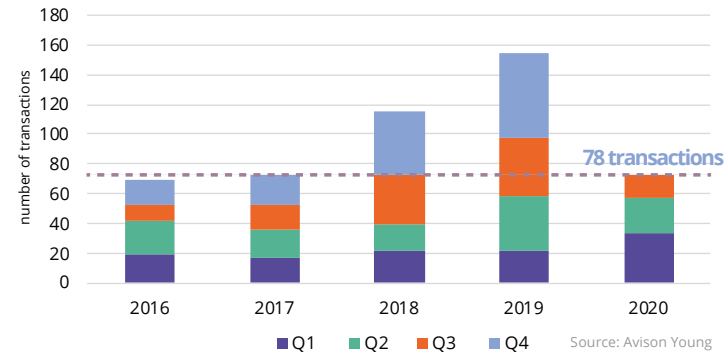
Industrial volume already outperformed 2019 outcome, which confirms increased demand for warehouses observed for some time already, additionally accelerated by current COVID-19 circumstances.

Retail investment volume is much lower than during past years, which is a result of investors' turnaround to small, convenience schemes from large shopping centers, which were pushing retail transaction volumes high during the recent years. Due to this fact, although investment volume has decreased, amount of retail transactions closed in Q1-Q3 2020 was higher than during the same period in 2019.

Significant decrease of the office investment volume is mainly caused by the last years' disposals of office skyscrapers, such as Warsaw Spire, Warsaw Financial Centre or Warsaw Trade Tower, which pushed the 2019 volume high. During the first nine months of 2020, investors' appetite was focused rather on smaller, core+ assets.

Taking all of the above into account, it will be difficult to repeat this year the record volume from 2019. On the other hand, we can notice that multiple investors remain active and are accommodating to new market situation, actively looking for new acquisitions after a few months of retaining "wait and see" strategy. Currently ca. EUR 2.5 billion are in advanced negotiations with forecasted closings until the end of the year, which is an evidence of the investors' significant activity. This proves that they still perceive Poland as an attractive place for allocating funds.

Number of transactions by quarter



€ 2.5 bn
in advanced negotiations



Michał Ćwikliński MRICS

Principal, Managing Director - Poland
(+48) 605 163 351
michal.cwiklinski@avisonyoung.com

Marcin Purgal MRICS

Senior Director, Investment
(+48) 668 382 482
marcin.purgal@avisonyoung.com

Bartłomiej Krzyżak

Director, Investment
(+48) 604 410 076
bartlomiej.krzyzak@avisonyoung.com

Tomasz Daniecki

Director, Head of Technical Advisory
Business Development
(+48) 603 068 307
tomasz.daniecki@avisonyoung.com